

NDIA Paper – Comments from Magic Mobility for complex at. 24/02/2015

Thank you for the opportunity to comment on the NDIA paper. As one of the few remaining manufacturers in Australia, I believe I can provide a unique perspective. This response is in three parts: An introduction, a comment on bulk procurement models and comments on salient points on the NDIA concepts.

INTRODUCTION

On reading the purpose and goals of the NDIA paper, I believe that Magic Mobility have demonstrated alignment to achieving the same goals for our clients and the government initiatives.

- supporting innovation
- ensuring sustainability

Magic Mobility design and manufactures manual and electric wheelchairs from our facility near Melbourne. We have been in business for over 20 years in the Global marketplace providing solutions for clients so that they can gain greater independence and access to social areas, giving them better integration into family and community activities.

Our purpose is:

To empower people to push boundaries, so that they can experience a World that is not flat.

Our key Values are:

Empathic Engineering, Driven to go further, Boundary pushing innovation

We have mapped out the customer experience from choosing a wheelchair to purchase to aftercare and our goal is total value from all angles. We have mapped this out for the customer and the funding bodies. We have used INNOVATION to design a wheelchair tailored to the re-issue market. We have to meet International wheelchair standards for Australia, New Zealand, the USA and Europe.

There is much more to our business than producing a wheelchair and we regard our business model as a service industry as oppose to a manufacturer building widgets. The success of our business model means that we are now exporting 60% of our product overseas (USA, France and the UK being our leading markets).

BULK PROCUREMENT COMMODITY STRATEGIES – Is it right in the disability sector?

In principle, I agree with initiatives that provide best value for government spending. Magic Mobility has designed wheelchairs for the last 20 years with the same objectives (lifetime value, less carer hours, easy to maintain, quick access to spare parts).

In my experience bulk procurement models have a place, but never work in conjunction with a highly specialised customer centred business. Generally speaking, people with disability are vulnerable, less able to defend their rights and less aware of how to demand what services they deserve. Bulk procurement works well for Aldi, where you can pick and

choose what you need (from a limited choice of what is available), but may have to go elsewhere for other items. It doesn't work for disadvantaged clients who rely heavily on trusted relationships, local service and high levels of skill and service.

During my time working for large corporations, I have regularly observed bulk procurement strategies implanted, and usually with the end result of the destruction of the supply chain and the flow of products to the customer. Typically in these scenarios - in alignment with what is being proposed in the NDIA Discussion paper - the purchasing department had functional KPIs associated with cost and delivery of individual line items (as oppose to customer KPIs). Implementations used arbitrary rules for selecting products that should or should not be bulk procured. I will use the example below to illustrate the processes and their failures.

In an Aerospace assembly facility, a decision was made that certain parts should be classified as consumables (C-Class parts). The criteria was as follows

- less than \$200
- small fasteners
- light weight (<500g)

The criteria when implemented meant the operator on the assembly line had to go to one warehouse for C-Class parts and another warehouse for all other parts required for the assembly. He now had 2 supply chains instead of one kit of parts. The purchasing department had a win, but the customer (the assembler) found it inconvenient and sub-optimal. The procurement department needed to consider the assembly time, the distance to assembler had to walk to collect parts, the logistical implications of having 2 warehouses based on poor commodity classification, the mental burden of having to work in this environment (where 1 nut, bolt or washer that cost \$205 dollars did not fit in the C-class parts commodity)

The assistive technology space IS NOT a commodity market-place. It is highly client centric (more so than most other sectors) and ONLY by looking through the clients eyes can the "best" solutions be found. These options on paper may appear more expensive, but time and time again it can be demonstrated in all industries that the net value proposition is superior against customer KPIs. To transform the AT purchasing model for Australians and to be a World leader, the NDIA needs to see the supply chain through the Participant's eyes and focus on goals that are important to them. This is a paradigm shift worthy of consideration.



NDIA concepts

1. NDIA Concept: Panel supply and reducing the number of suppliers authorised to sell types of AT

Client perspective: Consider Mapping out the customer purchasing experience - what AT will I need and who am I permitted to purchase from?

Actual Outcomes from current tenders: By ring fencing items into low value and high value and restricting the number of retailers short-listed to supply those items adds complexity to the number of retailers that a client is forced to go to for their equipment. This results in confusion, complexity and more time for the client in order to choose, purchase and collect their AT. It also adds internal complexity to the NDIA, creating confusion and extra costs for many activities such as the work done by Planners, and additional layers of back-of-house systems and bureaucracy to manage the complexity this creates.

The recent example of identifying pressure cushions as a bulk purchase item has meant that retailers are now unable to sell a complete seating solution to their client. When customer trials are part of the pressure cushion selection, it is impossible for the wheelchair retailer to provide a complete solution because a different retailer has the contract to supply the cushions.

Alternative Recommendation: Carefully consider the commodity approach to bulk purchasing and its benefits compared to a customer product purchasing experience. Think of the complex AT as a kit of items that a client wants to go to one supplier for. This may influence how the NDIA separates items within the purchasing commodity categories.

2. NDIA Concept: Manage the suppliers to key KPIs

Client perspective: What factors are important to the client? Where they go, how close their nearest retailer is, the relationship they have with their local retailer and repair person, carer hours required per week, ability to integrate with the community via access to suitable equipment/transport. Where are these care factors in the NDIA KPIs?

Actual Outcomes from current tenders: The KPI reporting does not look at the whole from the clients' perspective. It focuses on initial purchase price and lead time between appointments. Historically, there is little to no evidence requested in the tender submissions on key issues that determine long term value and costs of equipment. Evidence such as life of batteries, motors and critical spares, historical records of repairs and warranty... Without this evidence, it is easy for a tender to select the inferior cheaper product that in the long run means more client care and higher costs of repairs. Always an "expert" user (as defined by the NDIA paper) will be far more knowledgeable on what equipment is better for them, compared to remote government bureaucrats. The impact on the client of an inferior product means days in bed, more care and assistance, and high levels of stress. The low level of confidence in their wheelchair often stops them from venturing out too far, which leads to psychological impacts such as depression, anxiety, low self esteem, loneliness.

Alternative Recommendation: Consider the customer KPIs contained within the tender. What is the lifetime value of the acquisition and how does it fit into the clients overall plan? Could you build in personal KPIs and let the client choose against those?

3. NDIA Concept: Stimulate and nurture innovation

Client perspective: Can my retailer provide me a complete solution for the AT I require?

Actual Outcomes from current tenders: Existing tenders have demonstrated that one of the main results of their 'success' is that less suppliers are now present in the market place. This lessens competition in the market place and encourages emerging monopolies. This has the opposite effect of stimulating innovation through competition and the need to stay ahead.

4. NDIA Concept: Building client capacity

Client perspective: I want my life to be integrated into the community and return to work in valued roles

Actual Outcomes from current tenders: Certain products are not selected for tenders as the prime use of AT has to be for in the home use. Extra funding is then required for community integration. However, the equipment may not be different, or be as "bolt-on" as extra money would imply. E.g. A wheelchair (manual or powered does not get upgraded to go outdoors).

Alternative Recommendation: Panel supply must consider the how products on the panel are evaluated and how they could improve the overall quality of life for the client. Buying someone an off-the-shelf wheelchair that doesn't have certain features or cannot be customised will not offer them an optimum lifestyle choice.

5. NDIA Concept: REISSUE

In the NDIA paper, the following points are listed as key to re-issue

Complexity & Risk
Cost of Ownership
Duration of Use
Capacity to re-use

Wheelchair base: Magic Mobility designed a range of Mid-Wheel Drive wheelchairs specifically for reissue depending on if the client needed a small indoor wheelchair, or a larger outdoor option. By purchasing a small kit of parts, these chairs can be converted from one model to another

Seating: The seating is flexible such that customisation is built in to the sizing.

Actual Outcomes from current tenders: Where in the panel evaluation process is ability to re-issue a product with minimum cost?